

## **2003 HOME Contract Management Workshops**

### **QUESTIONS & ANSWERS**

#### **Administration**

1. *How many years should we keep the Contract Management Manuals?*

The Contract Management Manual is updated annually. We advise that you keep the Contract Management Manuals for each contract period. A copy of the most recent edit is on the HOME web page.

2. *Can we raise the FHA 203(b) limits for our particular area?*

Yes, contact your HOME Rep for information about the process. You may request an adjustment as often as you would like, some State Recipients request adjustments quarterly.

3. *What is the CHDO Loan Processing Guide?*

It is a document that outlines the CHDO loan closing process and it contains many forms that need to be completed prior to the closing. Contact your CHDO HOME Rep if you need a copy.

4. *Are HOME Contractors (State Recipients and CHDO's) required to retain the original documents for 5 years or are scanned copies acceptable?*

Original documents only are acceptable. Contractors must maintain all records until all loans made under the HOME Program Standard Agreement have been repaid, or for a period of five years after the Project Completion Report is received by the Department, and forwarded and accepted by IDIS, whichever occurs later. For further guidance, see pp. I-35 of the 2003 Contract Management Manual and the HOME Final Rule 92.508(c).

5. *Do all HOME Agreements have activity delivery costs?*

No. Activity delivery costs do not apply to CHDO Agreements. However, CHDO's are eligible for CHDO operating costs that are comparable.

6. *Who suffers the consequences if an administrative subcontractor doesn't meet milestones?*

The State Recipient (City or County) could be penalized in the next funding cycle. By executing the State Standard Agreement, the State Recipient assumes all responsibility for contract compliance including receiving performance penalties.

## Disbursing Funds

1. *If we fund an escrow account for a rehabilitation project, but the funds have not yet been drawn from escrow, may we request reimbursement from HOME?*

Generally, no. You may only seek reimbursement of funds which have actually been disbursed to the “end user,” i.e. in this case, the General Contractor or for city/county fees. You may also request HOME funds in advance of actual disbursement if you are sure that the amount of HOME funds requested will be disbursed by the expiration of the “15-day clock.” If the funds have not been disbursed by the expiration of the “15-day clock” the undisbursed funds must be returned to HOME.

2. *May I receive a listing of draws and a Standard Agreement balance report (allocation report) for a project?*

Yes, talk to your HOME Rep.

3. *When would a HOME contractor have a “designated payee” for their HOME checks?*

If there is a limited partnership and the CHDO is the general partner, then a designated payee letter would be needed so the checks could be made payable to the limited partnership. Checks are also occasionally payable to title/escrow companies.

4. *For rental new construction projects, is it possible to draw down the bulk of the funds on the first draw?*

Yes (for State Recipients) but State Recipients should know that by distributing the bulk of HOME funds in the first draw, they take on the risk that the project will not be completed and are responsible for repayment of any funds advanced to the State HOME Program. For CHDO projects, if HOME funds are allocated for acquisition, fees, and permits on the “Construction Sources & Uses” approved by HCD, then larger HOME disbursements can be made. However, HOME funds will generally be disbursed on a pro-rated basis with the other financing in the project to minimize HCD’s risk in the project.

5. *Can another HUD loan already on the property be paid off with the HOME loan?*

No.

## **Eligibility**

1. *If part of the living space is rented out to someone would their income be counted as rental income and not included as household income?*

HOME does not permit any part of the living space to be rented.

2. *In temporary situations (e.g. daughter resides in the home due to divorce) does her income need to be included as household income?*

For homeownership, all income of people living in the household is counted at the time of purchase. For rentals, all income would be counted at the time of the annual income certification.

3. *What happens when TCAC rules and HOME rules conflict for over-income tenants?*

TCAC rules prevail.

4. *Will Part 5 explain how to calculate assets for income purposes?*

Yes, upon request to your HOME Rep, we can send you the HOME technical guide which provides this information.

5. *Are non-citizens eligible for the HOME Program?*

Yes.

## **Environmental**

1. *Is consultation with the CHRIS system required prior to seeking SHPO concurrence?*

Yes. Consultation with the California Historical Resource Information System (CHRIS) is included in the historical preservation analysis which is submitted to State Historic Preservation Officer.

2. *If I send a complete package to SHPO and they don't respond within 30 days, may I proceed with the activity?*

No. You must complete and satisfy all federal environmental requirements in addition to the historical preservation (Section 106) process. The complete package submitted to SHPO must satisfy the documentation standards in 36 CFR Part 800.11.

3. *If we initially prepare a MRER, do the required noticing, and receive the “Authority to Use Grant Funds,” and then identify a major rehabilitation project, can we just do an Appendix A?*

No. The MRER Appendix A is never used for major rehabilitation projects, but instead the Statutory Worksheet. Depending upon the determinations on the Statutory Worksheet, additional public noticing may be required.

4. *Will the State provide a sample programmatic agreement so that consultation with SHPO is required less often?*

A sample is provided with this Q and A Document (see the agreement between the City of South San Francisco, Advisory Council on Historic Preservation and the CA State Historic Preservation Officer).

5. *Does the State Recipient have to contact SHPO on all/each rehab project?*

Yes, if any exterior physical work is proposed or the building is more than 50 years old.

6. *What defines minor rehab?*

Minor rehabilitation is when all of the following conditions are met: 1) unit density is not changed by more than 20%; 2) the project does not involve changes in land use from residential to non-residential, and 3) the estimated cost of rehabilitation is less than 75% of the total estimated cost of replacement after rehabilitation.

7. *What web sites are available to provide information about Native American Tribes?*

The Native American Heritage Commission web site is <http://ceres.ca.gov/nahc/> and the National Park Service website is National Park Service list (searchable by County) <http://www.cr.nps.gov/nagpra/NACD/INDEX.htm>.

8. *Do we have to submit a VA-4 and VA-5 with each individual set up?*

No, not if the individual project is consistent with the representations made in the initial environmental review.

9. *If a city did a CEQA report, can it be part of the info packet for SHPO?*

Yes. Relevant historical and cultural information in the CEQA report may be submitted as supplemental information to SHPO. Be aware that the CEQA process does not satisfy the public noticing or process requirements for NEPA.

*10. Can the FONSI and RROF be combined into one public notice?*

Yes. Use the template found in the Environmental Chapter Appendix in the 2003 HOME Contract Management Manual.

*11. Who is the Responsible Entity (RE) for NEPA purposes?*

For CHDO's, the RE is Wayne Walker (HCD Manager). For State Recipients, it is the Chief Executive Officer (CEO) for the city or county or other government employee(s) of that agency as delegated in writing by the CEO. No governing board resolution is necessary for State Recipients.

*12. What is the "OMB Catalog Number" (question #4) on the "Request for Release of Funds and Certification" (Appendix V-A7-1 of the 2003 HOME Contract Management Manual)?*

For HOME, always use #14.239.

*13. What does HCD recommend if Indian tribes do not respond to our consultation requests as required in the historical preservation process?*

Consultation with Indian tribes is required from tribes which attach religious and cultural significance to historical properties that may be affected by a HOME undertaking. Omitting consultation, defined as "the process of seeking, discussing, and considering the views of other participants..." is not permitted.

**Equal Employment Opportunity/ Affirmative Marketing / Fair Housing**

*1. Are Section 3 hiring requirements required for contracts less than \$100,000?*

No. Section 3 requirements are triggered when contracts in construction and rehabilitation projects equal or exceed \$100,000.

*2. I understand that I need to track the race, ethnicity, gender, sex, disability and age of the community residents (based on census data), rental project applicants, project residents, rejected applicants, and employees, but our City personnel department doesn't use HUD's codes for Race and Ethnicity. They use the original single ethnicity designation. Is that OK?*

Hispanics/Latino should not be included as one of the racial categories but rather as a separate ethnicity category. It is an ethnic category that cuts across all races. After entering "Yes" or "No" for ethnicity, the individual / household may select one or more of the 10 race categories. The "Balance/Other" category will be used to report individuals that are not included in any of the single or multiple race categories. All existing record or reporting forms were required to be revised to these standards no later than January 1, 2003. The Race and Ethnicity codes used by HUD are the same as those

used for the U.S. Census, so personnel departments should have changed already to the new codes. The new codes are detailed on the project set-up and completion report forms located in the Chapter 1 Appendix.

3. *I understand that I need to compare certain characteristics for applicants and beneficiaries to my community. You've provided web links for race and ethnicity information. Do you have similar web links for age, disability, and gender?*

Yes. You can open the electronic copy of this Q and A on the HOME website and click on these links rather than typing them in your web browser.

2000 American FactFinder – Disability Status by Sex

[http://factfinder.census.gov/servlet/QTTable?\\_ts=71407870781](http://factfinder.census.gov/servlet/QTTable?_ts=71407870781)

2000 American FactFinder – Age and Sex

[http://factfinder.census.gov/bf/?\\_lang=en\\_vt\\_name=DEC\\_2000\\_SF1\\_U\\_GCTP5\\_ST7\\_geo\\_id=04000US06.html](http://factfinder.census.gov/bf/?_lang=en_vt_name=DEC_2000_SF1_U_GCTP5_ST7_geo_id=04000US06.html)

4. *Is it necessary to collect demographics on those people who call about the program or inquire through the internet?*

No.

5. *Is it a requirement to obtain the race/ethnicity/gender info for tenants of rental housing projects?*

Yes. You are required to request this information for rental projects with five or more HOME-assisted housing units. Procedures are not required for tenant-based rental assistance (TBRA) recipients. Revised standards for collecting federal data on race/ethnicity, among other things, require that an individual/household be offered the opportunity to select one or more race categories. Self-identification of race/ethnicity is voluntary. Self-reporting or self-identification, rather than observer identification, is the preferred method for collecting race and ethnicity data. Information must be collected not only at the time of initial occupancy, but as an ongoing affirmative marketing activity. A sample “Affirmative Marketing/Fair Housing Report” form is provided for your convenience in the Chapter I Appendix (I-K-1).

6. *Do Section 3 requirements apply to all competitive bids?*

Section 3 requirements are triggered for contracts that exceed \$100,000. Include the appropriate documentation in the bid package. This documentation is provided in the EEO Chapter of the 2003 HOME Contract Management Manual.

7. *When tracking household characteristics and one member is disabled does this apply to the whole family?*

Yes, this will affect the whole family.

8. *Do I have to review household characteristics again if a household on the waiting list completes an application?*

You would need to update the information.

### **First-time Homebuyer Programs (FTHB)**

1. *May we (the State Recipient) subordinate an existing HOME loan so that the homeowner can refinance to take advantage of lower interest rates? Is there a requirement to take the lower payments into consideration in re-assessing the family's need for HOME funds?*

Yes, you may allow refinancing for this, or any other, purpose. No, there is no requirement to reconsider the need for HOME funds.

2. *If you allow a low-income FTHB to assume a FTHB loan does the affordability period start over?*

No.

3. *If a FTHB files bankruptcy and the home goes to foreclosure does the City have an obligation to pay off the first lender? Can you use HOME dollars to pay off the first lender? Do you need to report this to HOME?*

There is no obligation to pay off the first lender in a foreclosure. No, HOME funds may not be used to pay off the first lender, as this is not an eligible activity. There is no reporting requirement.

### **Fiscal Process**

1. *Why does the State Recipient have to show the funding sources, and household characteristics required on both the set up and the completion report?*

Various aspects of the project could change between the original set-up and the completion of the project.

2. *Should we use the new forms on older contracts?*

Yes. Always use the most current forms. They can be found on the HOME Program's website at <http://www.hcd.ca.gov/ca/home/fiscalindex.html>. However, the State Recipient set-up checklists for Owner Occupied Rehabilitation and First Time Homebuyer programs distributed as drafts at the workshops may be used until the new forms are available. When the new forms are available, they will be mailed to all existing State Recipients.

3. *Does HOME send the completion reports to the State Recipient/CHDO to be completed and to be returned to HOME?*

No, the State Recipient must download the forms off the Web for completion and then send the completed forms to HOME.

4. *Is a new resolution required with each Standard Agreement?*

Yes.

5. *Does the State Recipient have to submit separate Administrative Draw Requests for administrative cost for each contract?*

Yes.

6. *What date is used to start the 60 day Completion Report due date?*

The date HOME processes the Final Draw Request.

7. *If the State Recipient doesn't have any money up front to pay the general contractor, then how can they get funds from HOME and meet the 15 day expenditure time clock for HOME disbursements?*

Ensure sufficient lead time from your Draw Request to the date that the contractor will need the funds.

8. *Why isn't there a "Rehab Only" box on question #5 on Part A on the Rental Housing Project Set-Up Report?*

Mark the box "Acquisition and Rehab" on Question #5 and then mark "Homeownership Rehabilitation" on Question #9 of Part B.

9. *Why do CHDO's mark the "No" box on Question #9 (the "CHDO Loan" question) on Part A on the Project Set-Up Report?*

Because the question refers to HOME predevelopment loans only.

10. *How does a HOME contractor make sure that their admin subcontractor gets a copy of the project set-up sheet confirmation?*

You must make sure that HCD has the correct name and address where you would like it to be sent. You should e-mail the info to HCD at [HOME@hcd.ca.gov](mailto:HOME@hcd.ca.gov). Please send a copy of the e-mail to your HOME Rep.



*11. Is it alright to submit a Project Completion Report with the Project Set-Up Report?*

Yes, if you also submit a Drawdown Request at the same time. However, this process does not apply to CHDO rental new construction projects.

*12. How long are you obligated to file quarterly and annual reports?*

Quarterly – until all Project Completion Reports are filed. Annual - If you don't have any open Standard Agreements and you return the program income you can stop; they continue indefinitely if you have any open Standard Agreements or continue to receive program income. You can file one report for all Standard Agreements.

*13. Which rehab box do I check on the Set-up Form—moderate rehab or substantial rehab-- and how do I tell the difference?*

Guidance is provided on Page 4 of the Set-up Form.

*14. Do I need to submit a setup to my HOME Representative if I am not using any new HOME money, that is, I am only utilizing program income and recaptured funds?*

No. Although all projects funded with program income and recaptured funds must meet all federal and state HOME requirements, please do not submit a project setup unless you are using "new" HOME funds from the State on the project. Please do keep documentation in your files that supports the appropriate expenditure of all withdrawals from your local HOME account.

## **Labor Standards**

*1. Can a CHDO use the Labor Compliance Officer from another jurisdiction to be the one required by HOME for its HOME contract?*

Yes, a CHDO can utilize a Labor Compliance Officer from another jurisdiction to act as their Labor Standards Coordinator, because the person is not a CHDO employee.

*2. Who provides Federal Davis/Bacon standards?*

The Davis Bacon law is available through the Dept. of Labor website: <http://www.dol.gov>.

*3. Does a contractor have to sign the non-debarment certificate each time they are awarded a HOME contract?*

Yes.

*4. Can City or a County staff be hired as a labor monitor?*

Yes.

5. *For federal prevailing wage determinations, should the requests be sent to HCD?*

Yes, the request form which needs to be completed is in Appendix III-G of the 2003 Contract Management Manual.

6. *How do we know the status of the contractor or the sub-contractors for a single family rehab activity?*

As part of the bid process, the prime contractors are required to certify (see Appendix III-D of the 2003 Contract Management Manual) that they are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participating in a contract using federal funds. Prior to awarding a bid to the prime contractor it is good practice for the State Recipient/CHDO to verify that all contractors bidding on the project are not listed on the HUD Debarred list (<http://epls.arnet.gov/>). In turn, the prime contractors must require subcontractors to also submit a “Debarred Certification” and it is also good practice for them to verify, prior to award, that they are not listed on the HUD debarred list. All of the aforementioned certifications (not verifications) are then submitted at set-up or if not ready by then, within 10 days of their execution to your HOME Rep. HOME Reps will evaluate the certifications at setup and at disbursement.

### **Lead-Based Paint**

1. *Can HOME funds be used as grants for lead-based paint removal and testing?*

HOME funds can be used as grants for lead-based paint removal for Owner-Occupied Rehab, and FTHB Acquisition with Rehabilitation, provided that the work is the least-cost alternative.

2. *How do we obtain funding from HOME for eligible Lead-based Paint costs?*

List it as a grant on the set-up and drawdown forms. You are not required to submit any documentation to the State.

### **Match**

1. *If the State Recipient has eligible match in the project should we report it in the set-up even though it is not required?*

Yes, then HOME can bank the match. Doing so may allow us to accumulate sufficient funds to waive the match as we did in 2002.

2. *What sources of Match does the State report?*

HOME reports all eligible match funds to HUD.

3. *Can we lump all the different money sources from the State Recipient together on the set-up?*

No, show the RDA, fee waivers, city/county cash contributions and other money sources separately. A list of funding sources can be found on the HOME-3 Form on the HOME Program's website at <http://www.hcd.ca.gov/ca/home/fiscalindex.html>.

## **Monitoring**

1. *Will a HOME monitoring letter be sent even if there are no findings or concerns?*

Yes.

2. *What time of year can we expect monitoring to occur?*

Monitoring activity will be an ongoing process and will occur throughout the year.

3. *Can the Estimated Value "after value" on a Rehab be done with an appraisal?*

Yes, but other methods of determining value may also be used.

4. *Is a desk top monitoring the same as a close out monitoring?*

Generally yes, but desk top monitoring is an abbreviated version of close out monitoring.

5. *Are there any consequences if the State Recipient does not collect demographic information consistent with Federal requirements?*

You would receive monitoring findings and if not corrected as specified by HOME you could be kept from applying for HOME funds.

6. *When a project is monitored and HCD wants to know if the project is in compliance with local building codes, what does HCD want to see?*

Local building permits and a Certificate of Occupancy.

## **Procurement**

1. *When should the State Recipient hire an Administrative Subcontractor?*

If you know you will be using one to manage your HOME project, as soon as possible.

2. *Can HOME funds be used to pay for an Administrative Contractor?*

Yes.

3. *Is the State Recipient required to conduct a procurement process for each HOME grant?*

Yes.

4. *Can the State Recipient hire an Administrative Subcontractor prior to a HOME NOFA?*

Yes.

5. *Do HOME procurement policies apply to a State Recipient who hires another government entity as its administrative subcontractor?*

No, but HCD must be able to look at that entity's books to determine that invoices are supported by documentation required by federal standards.

## **Program-Misc**

1. *Can you replace a dilapidated "stick-built" home with a mobile home? Can you replace dilapidated mobile home with another mobile home?*

Yes, provided that the mobile home is on a permanent foundation system.

2. *Is TBRA a program or a project?*

Program.

3. *Can TBRA renters break their lease if after less than 12 months, they come up on the Section 8 waiting list?*

Yes, the HOME requirement for a one year lease allows other terms by mutual agreement of property owner and tenant.

## Program Income

1. *Why aren't activity delivery costs allowed for program income and recaptured funds?*

State Recipients may use up to 10% of program income for administrative expenses. When HUD established this rule, it also established the concept of recaptured funds. HUD does not allow administrative expenses for recaptured funds because the period of affordability has not been met. It would be inconsistent for the State to allow activity delivery costs when HUD has decided not to allow administrative expenses.

2. *May I use program income for grants for relocation costs for HOME assisted and/or HOME-eligible projects?*

Yes, provided that there is a regulatory agreement requiring compliance with HOME requirements for the period of affordability.

3. *Is there a deadline for disbursing program income or recaptured funds if we are not requesting HOME funds from the State?*

The State HOME program is required to monitor the State Recipients' local HOME accounts to ensure program performance. The Final HOME rule prohibits banking program income or saving it for a project. If the State Recipient is accumulating substantial amounts of program income, then the State will need to take appropriate actions to address performance issues. Those actions may include the return of program income.

4. *We've been receiving program income/recaptured funds when homeowners refinance their primary mortgage? Is it OK to subordinate the HOME loan to the new loan? Is it OK to allow a higher primary loan, i.e. for the homeowner to take cash out?*

Yes, State Recipients may subordinate the HOME loan to the new loan. Most State Recipients at the workshops said that they don't however, subordinate when the homeowner is taking cash out. This decision is up to each State Recipient.

5. *You've said that loan repayments after the period of affordability ends are considered 100% program income. Is the period of affordability the minimum federal HOME period of affordability or our actual loan term?*

Use the period of affordability established by HUD at the Final Rule, 24 CFR 92.252 (rentals) and 92.254 (homeownership).

6. *May program income be used outside the boundaries of the city or county that made the HOME loan?*

No. The HOME program requires that HOME funds, including program income, be used within the boundaries of the city or county that applied for HOME funds.

7. *Is funding an escrow considered disbursement?*

No, see the “Disbursing Funds” section of this Q and A.

8. *If we return program income or recaptured funds to the State, does the State also have to disburse it before drawing down additional funds from HUD?*

Yes.

9. *If I am planning to draw funds from HOME on, for example, July 28 and I need that draw to meet my milestones, but on July 27, I get a surprise loan pay off, how can I meet my milestone?*

You are only required to calculate your program income/recaptured funds balance once a month. If you do the calculation on July 1, and that shows no program income/recaptured funds, you do not need to take into consideration any program income/recaptured funds received within 30 days of the report date. However, in this example, you would need to expend this repayment before submitting any draws in August.

10. *Do I need to provide match for program income/recaptured funds expenditure?*

No.

11. *What State approval do I need for program income/recaptured funds expenditure?*

No State approval is necessary for expenditure of administration funds, but the State must review NEPA environmental review documents for all other activities. You need to submit the same NEPA documents as you would for a setup using new HOME funds. For FTHB projects (homebuyer loans) you need to submit the V-A4 and V-A5 forms for each homebuyer loan funded with program income/recaptured funds (see Chapter V Appendices in the 2003 Contract Management Manual).

12. *May I use program income/recaptured funds for a different activity than is currently HOME funded?*

Yes, program income/recaptured funds may be used for any State and federal eligible HOME activity. However, the funds must be spent before any “new” funds can be drawn from the State.

13. *If I made a loan using city or RDA funds as match for a HOME loan, is the repayment of the match also subject to the program income/recaptured funds rules?*

Yes.

14. *Why aren't the HOME program income/recaptured funds rules more similar to those of the State CDBG Program?*

The federal CDBG and HOME regulations have different requirements for program income/recaptured funds.

15. *May I buy land to be used for affordable housing?*

If program income/recaptured funds are used to purchase land, you must reasonably expect that the start of affordable housing construction will occur within one year of the commitment date (written City agreement with owner/developer). State Recipients are encouraged to complete the "Development Milestones" section of the HOME application (for FTHB activities, see pp. 13-3 through 13-8) and make a written finding (for the file) that this information indicates a reasonable expectation that the start of affordable housing construction will occur within one year of the commitment date. No advance State approval, other than the review of NEPA documents, is required. Land banking is not an eligible HOME activity.

16. *Is interest received (either with an amortized payment or upon payoff of a deferred loan) always 100% program income and not subject to the prorating between program income and recaptured based on the period of affordability? Are the original HOME funds (the loan principal) the only funds that are subject to the prorating between program income and recaptured based on the period of affordability?*

Yes, to all three questions.

17. *When excess (surplus) proceeds are received after a FTHB property goes through foreclosure by the holder of the first mortgage, are these proceeds 100% program income or are the proceeds prorated between program income and recaptured based on the period of affordability?*

The excess proceeds generated from the sale of the home are program income. The original HOME investment is still subject to the recapture method and prorating based on the term of affordability.

18. *When calculating the time period that a property has been affordable, do only full years count or can months and days also be counted?*

Round to the next full month.

19. *Can HOME loan funds or program income be used to refinance (retire) existing debt?*

The State's Consolidated Plan does not allow the use of HOME funds for refinance purposes.

20. *Can you buy a home with program income under the city's name and rent it out to low-income renters?*

No, this is definitely a form of land banking. There is no permanent loan for the assistance provided and the State Recipient cannot make a loan to themselves.

## **Relocation**

1. *Will the State provide flexibility in implementation of the 4-month vacancy rule?*

No, HUD provides PJs with a certain amount of flexibility in this area and the State has determined that this rule is necessary to protect tenants from displacement.

2. *If the family is not an eligible low income family, are they eligible for relocation costs?*

Yes, under the Uniform Relocation Act.

3. *Does relocation have to be paid if the existing tenant is buying another residence using HOME assistance?*

No. But make sure that the tenant actually purchases and occupies the other home. If the deal falls through, the city or county would still be responsible for relocation costs.

4. *We are considering using some money from a loan payback for relocation expenses. If Relocation Specialists were hired for the relocation, is that a relocation expense or an administrative expense?*

Program income/recaptured funds may be used for any eligible cost, as limited by the State regulations. The state regulations allow the use of HOME funds for relocation grants. Thus, program income/recaptured funds may be used for relocation grants.

## **State Prevailing Wages**

1. *Does the State prevailing wages require the same administration and reporting as Davis/Bacon?*

Davis Bacon is a federal law and is unrelated to the State of CA prevailing wage law.

2. *Does a CHDO have to comply with the State Prevailing wage reporting requirements if they are exempt?*

An exempt CHDO does not have to send any reports to the State of CA Industrial Relations Department. However, please refer to HOME Management Memorandum 02-01, Page III-0-1 of the 2003 Contract Management Manual.



## **Underwriting Guidelines**

*1. Are you working with CalHome on underwriting guidelines?*

Yes, we are working with CDBG and CalHome on a model set of guidelines for FTHB Acquisition activities. We plan to also work on a model set of guidelines for Owner Occupied Rehabilitation activities.

*2. How do I calculate the total replacement reserves?*

At .6% of construction costs of structures, general requirements, contractor overhead, contractor profit, contingency and furnishings. Do not include the cost of land, site work, or architectural fees.

*3. Does HOME look at both the top and bottom ratios?*

Yes, we look at your guideline/model to see if you adhere to your guidelines for calculating the amount of the first mortgage but HOME does not require the use of specific ratios.